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MINISTRY OF COMMERCE AND INDUSTRY

RESOLUTIONS

New Delhi, the 27th March 1958

PLANTATION INQUIRY COMMISSION'S REPORT ON THE COFFEE INDUSTRY

No. 1(9)PICR(C&R)/57.—The Plantation Inquiry Commission was appointed by the Government of India, under the Ministry of Commerce and Industry Notification No. S.R.O. 1261, dated the 17th April 1954, to make a comprehensive investigation of the economic conditions and problems of tea, coffee and rubber plantation industries and to recommend measures necessary:

- (a) to secure to the producer a fair price for his produce and to the consumer a fair price for the article he buys;
- (b) to ensure suitable marketing arrangements;
- (c) to ensure provision of necessary finance for the plantation industries; and
- (d) to develop and expand tea, coffee and rubber plantation industries.

2. The Commission submitted its Report on the *Coffee industry* in November 1956. The report presents valuable information relating to the industry in a single volume. The recommendations cover a wide field. Government have carefully examined these in consultation with the State Governments concerned, the Coffee Board and the representatives of the coffee industry and trade and take this opportunity of making known their decision on the important recommendations formulated in the report.

Production and Development

3. **Development.**—With a view to ensuring the orderly development of the industry, preventing extension of coffee cultivation in unsuitable areas and facilitating the change over from Robusta to Arabica cultivation where desirable, the Commission has recommended that the Coffee Board should be vested with powers to regulate the extent of area under coffee. It is therefore proposed that all new planting and replanting of coffee, in future, shall be done only after taking out licences from the Coffee Board. Such licensing will not hamper or restrict expansion, but will ensure firstly that only suitable areas are taken up for plantation and secondly that approved seed would be used for planting and replanting.

4.1. **Increased Production.**—In the interest of increasing production, the Commission has suggested *inter alia* that, (a) selected disease resistant seed should be supplied to growers, (b) supervisory staff employed in the estates should be trained, and (c) services of mobile pest fighting units should be made available to planters.

Research Department.

4.2. The Research Department under the Coffee Board is maintaining Nuclear Seed and Multiplication Stations. Tested seed materials from these Stations are supplied to growers. This Department will endeavour to meet, in an increasing measure, the demand of planters for approved seed materials.

4.3. Short refresher courses for the benefit of supervisory staff employed on estates will be arranged by the Research Department

4.4. Pest Control work is largely seasonal. It is not feasible to maintain adequate number of mobile pest fighting units to cater to the needs of all small growers; however, the Liaison Staff in the Research Department will provide technical assistance and guidance to the growers on pest and disease control techniques

4.5. Government accept the proposal that an expert Committee should be appointed to enquire into the working of the Research Department of the Board and recommend measures to be taken to further increase its usefulness to the planting community

5. The Commission has recommended that a co-operative supply organisation for distributing chemical fertilisers and mixtures to the planters—particularly the small growers—should be set up under the aegis of the Coffee Board; this organisation should have the sole right of sale.

In regard to this, it is felt that Co-operative Organisations which are being set up by State Governments, under the community development and national extension programmes can be expected to take care of the needs of the coffee growers also. It is therefore proposed to bring this recommendation to the notice of the State Governments concerned with the request that in setting up co-operative organisations for agriculturists, the needs of the coffee growers for this purpose should also be borne in mind. There would however be no particular advantage in giving a monopoly right of sale to the co-operative organisation as the object is to increase existing facilities for the supply of manures.

Curing and Warehousing

6. Under the Coffee Act, 1942, all coffee produced in the country—except limited quantities required for the domestic consumption of the growers and for seed purposes—has to be delivered to the Coffee Board for inclusion in the 'surplus pool'. The Board is responsible for storage, curing where necessary, and marketing of coffee. Coffee is cured at licensed curing establishments.

7. The Commission has suggested that:

- (a) curing and pool agency functions should be separated;
- (b) curers should be employed for curing only;
- (c) the agency functions performed by the pool agents should be taken over by a Warehousing Corporation formed under the aegis of the Coffee Board;
- (d) if the pool agents, who are also curers, are not agreeable to do curing only, the proposed warehousing organisation should set up its own curing establishments;
- (e) coffee growing areas should be suitably zoned for purpose of curing; and
- (f) the Board should arrange for an investigation of actual cost for curing coffee and fix reasonable charges on the basis of such investigation

8. After careful examination, Government have taken the following decisions:—

- (a) It would not be advisable to separate the curing and pool agency functions; such a separation, will result in considerable difficulty apart from avoidable duplication of human effort, godown facilities and ultimately add considerably to the marketing charges; this will not be in the interests of the growing industry;
- (b) A committee should however be appointed to examine the existing rate of curing charges and of the commission paid to pool agents and to recommend where necessary, reasonable rates of remuneration.
- (c) Facilities for curing should be increased, both by increasing the number of licenced works and distributing them better in coffee growing areas by creating suitable zones.

9. The Commission has pointed out that the assessment work (determination of the value of coffee delivered to the pool by the growers) should be done by a Committee of the Board, that the Committee should assess samples on the spot at the curing centres and that appeal against assessment should be to a Committee of the Board comprising the Chairman, two representatives of producers and two representatives of traders.

Assessment work is primarily of a technical nature and is being now done by officers of the Board who are technically qualified for the purpose and having no connection with the planters, this also ensures uniformity in the standard of assessment. The appeal against their assessment lies to a specially constituted appeal panel. The present system is sound in principle, the work is done satisfactorily and there are very few appeals. Government have therefore decided that it is not necessary to change or modify the present system.

Marketing

10 The Commission has suggested that an independent expert body may be appointed to assess the cost of production and to fix the 'pool release price'.

Government had previously arranged for investigation into the cost of production of coffee more than once by competent cost accounting agencies. Experience has shown that it is difficult to work a cost of production which will be acceptable to all estates and which will provide for varying conditions in the estates. The Board has evolved a method for determining a proper return to the grower, and are constantly reviewing this. Government consider therefore that it is not necessary to set up an independent expert agency to undertake this work.

11.1 The Commission has observed that the local sales have served a useful purpose and that they should be continued as one of the established channels of release and that local sales should be conducted at more centres. This recommendation has been accepted.

It is however not feasible to accept the proposal of the Commission that the release price at the local sales should not be fixed higher than that in the pool sales. The local sales have been arranged for the benefit of small retailers, roasters, hotel keepers and canteens. The price fixation for the local sales cannot be such as may allow the retailer to undercut the wholesaler and make it difficult for the latter to market the coffee purchased at the pool sales.

11.2 The Commission has suggested that coffee to the Co-operative Societies they be released at the pool auction price (i.e. at the actual price realised in the pool sales, which is generally higher than the release price). In the interests of the co-operative movement, Government do not propose to discontinue the supplies to Co-operative Societies at a concessional price.

Export

12 Coffee for export is released through export sales in which only dealers registered with the Board can participate. The number of registered dealers effectively participating in the export sales is too small to enable the Board to get the best possible price. The Commission has proposed that in the interest of the Industry, the export trading in coffee should be undertaken directly by the Coffee Board.

In accordance with this, the Board has decided to modify the system of export sales, so as to allow the foreign importers also to participate in these sales along with the registered dealers in the country. As an experimental measure, it has also been decided that the Board should arrange to dispose of a portion of the exportable surplus by direct sales to foreign purchasers.

13 To promote the export of coffee powder, the premium collected by the Coffee Board on the export of roasted and ground coffee has been suitably scaled down as proposed by the Commission.

Consumers' Subsidy Fund and Price Assistance Fund

14 In the export sales, coffee generally fetches a price higher than that realised in the internal sales. Coffee gains in weight due to the absorption of moisture, while held in storage. The Commission has proposed that the excess price realised in the export auctions (i.e. the actual export value minus the calculated value for export on the basis of internal sales) and the sale proceeds of coffee represented by the gains in weight, should be diverted in equal proportions to a Consumers Subsidy Fund and a Price Assistance Fund.

The object of the Consumers' Subsidy Fund is to make coffee available to the internal consumer at a reasonable price. In the internal market, coffee is available at a price which is far below the world price of coffee. It is therefore not considered necessary to create a separate consumers' subsidy fund. The proposal to create a price assistance fund has not found favour with the growers. It is not proposed therefore to implement this recommendation.

Retail Distribution

15. For ensuring availability of coffee at a reasonable price to the consumer, it has been suggested that the Coffee Board should start a separate organisation for the manufacture and sale of coffee powder and that all future increase in coffee production should be distributed through Co-operative Societies only.

The Coffee Board have already an organisation for process and sale of coffee powder at several centres; such facilities will be continued and enlarged to the extent possible. As regards co-operative societies, they do not, at present, even uplift in full the quota earmarked for them; but this agency will be utilised to the fullest possible extent for internal distribution of additional production. To the fullest extent possible the Co-operative Societies will be made use of as a channel of distribution.

Propaganda for Coffee

16. The Commission has observed there is no need for the continuance of propaganda units (Coffee Houses) in the coffee growing regions, and they might be handed over to private parties. Propaganda through mobile vans and cinema shows which visit rural area, advertising campaign in urban areas and industrial communities, and participation in fairs and exhibitions, will fulfil the needs better than running coffee houses.

The Coffee Board has already taken suitable measures to reorientate propaganda activities on these lines.

Assistance to Small Growers

17. Towards strengthening the economic position of the small holdings, the Commission has recommended the formation of:

- (a) Multipurpose Co-operative Societies for making finance available, for supplying estate requisites, etc.
- (b) State partnered Central Curing Societies for providing facilities for curing coffee and obtaining a proper valuation of coffee.
- (c) A Single Co-operative organisation for the supply of manures, spraying materials, etc., and
- (d) A Central Co-operative State partnered Coffee Bank comprising the large sized coffee growers' primaries.

The matter has been examined in consultation with the Reserve Bank, and Government have come to the following conclusions:—

- (a) At the primary level, credit and marketing activities should be combined in the same Society.
- (b) Wherever possible, a Society formed for the benefit of the small growers should undertake curing. The Societies should be appointed as pool agents of the Coffee Board.
- (c) A start should be made in areas where small growers are found closely clustered.
- (d) As the small growers by themselves may not be able to build up a sizeable share capital, the Coffee Board should contribute towards the share capital of the Society by taking a substantial number of shares.
- (e) The Coffee Board should appoint an officer, with adequate experience in Co-operative Organisation, for undertaking investigation and promoting the growth of co-operatives. He will work in close liaison with the Co-operative Department in the States.
- (f) A separate Co-operative Coffee Bank is not desirable. Credit should continue to be routed through the normal Co-operative Credit Structure.

18. In addition as suggested by the commission, a development committee of small growers will be set up under the Board. It will be the responsibility of this Committee to recommend suitable measures to be taken for the development of small holdings.

Taxation

19. The Commission has suggested that:—

- (a) there should be imposed on coffee a counter-vailing export duty equal to the Central Excise Duty; and
- (b) in order that the incidence of excise duty may be related as far as possible to the market value of the goods, duty on Arabica parchment coffee may be raised to 3½ annas per lb. and the duty on Robusta reduced to 2½ annas per lb.

A Central Excise duty of Rs 21 per cwt is levied on coffee consumed in the country. At present there is no duty on coffee exported outside. Export duty is levied on considerations which do not apply to the levy of excise duty. The Government will consider the levy of an export duty when circumstances warrant such a course of action.

It is not practicable to levy excise duty at different rates on Arabica and Robusta coffee. Further, the proposed variation will have hardly any significance on the prices.

20 The recommendations set out below are being brought to the notice of the State Governments concerned —

- (a) Measures should be taken to improve road communications in coffee growing areas
- (b) Minimum Wages Act should apply to curing houses also
- (c) The State Governments should give high priority to a plan of organising supplementary employments as ancillaries to the coffee industry
- (d) Polyculture is generally practised by Coffee growers. Food crops cardamum and oranges are sometimes raised in areas adjoining coffee. The coffee grower, the supervisory staff and labourers should be trained in the raising of these crops
- (e) The free feeding of children should be taken due note of when fixing wages under the Minimum Wages Act

21 The following suggestions and recommendations are being brought to the notice of the Coffee Board.—

- (a) The Coffee industry requires guidance on the utilisation of fertilisers. A close co-ordination between estates and the Research Department appears to be needed to make available to the planters the latest scientific information on the subject
- (b) Research work needs to be undertaken in the processing and technology of coffee. The work now being done by the Central Food Technological Research Station should be developed further
- (c) Work should be undertaken for devising economic and efficient methods for preparation of soluble coffee and coffee tablets
- (d) There is urgent need for strengthening and improving liaison service
- (e) There is a case for investigation whether valuation of coffee as F A Q (Fair Average Quality) with plus or minus points is properly done at present

22 The undermentioned recommendations of the Commission are under examination —

- (a) Each coffee estate should be required to lay aside every year a certain sum of money for the specific purpose of financing programme of replanting. The amount paid by each estate should be held to the credit of the estate in a separate fund called the Coffee Replanting Fund with the Coffee Board and the estates may be allowed to withdraw from this fund such amount as may be necessary for the purpose of replanting according to a programme of replanting approved by the Board
- (b) Government should assume legal powers to make investigations and issue such directions as may be found necessary for the proper maintenance of fixed assets including replanting in any estate
- (c) The State Bank should supply full crop finance for short term needs of the industry. The State Finance Corporation of the States in which the coffee estates are situated, including the Madras Industrial Investment Corporation should meet their needs for long term finance

23 In conclusion Government wish to record their appreciation of the thoroughness with which the Commission has applied itself to a study of the problems and difficulties facing the coffee industry

ORDER

That a copy of the Resolution be communicated to the State Governments and other interests for information and necessary action and that it be published in the Gazette of India for general information

PLANTATION INQUIRY COMMISSION'S REPORT RUBBER INDUSTRY

No. 15(6)PICR(C&R)/57—The Plantation Inquiry Commission was appointed by the Government of India, under the Ministry of Commerce and Industry Notification No. S.R.O. 1261, dated the 17th April, 1954, to make a comprehensive investigation of the economic

conditions and problems of tea, coffee and rubber plantation industries and to recommend measures necessary:

- (a) to secure to the producer a fair price for his produce and to the consumer a fair price for the article he buys;
- (b) to ensure suitable marketing arrangements;
- (c) to ensure provision of necessary finance for the plantation industries, and
- (d) to develop and expand tea, coffee and rubber plantation industries.

2. The Commission submitted its Report on the *rubber industry* in December 1956. The report presents valuable information relating to the industry in a single volume. The recommendations cover a wide field. Government have carefully examined these in consultation with the State Governments concerned, the Rubber Board and the representatives of the rubber industry and trade and take this opportunity of making known their decision on the important recommendations formulated in the report.

Production and Development

3. With a view to ensuring orderly development of the industry, the Commission has suggested that replanting and new planting of rubber should be permitted only in areas which are primarily suitable for rubber. Further replanting/new planting should be allowed only with high yielding seeds and plants approved by the Rubber Board.

It is proposed that in future permits should be issued subject to the limitation that high yielding seeds approved by the Rubber Board should be used for the purpose of replanting/new planting.

4. In the interest of increasing production, the Commission has suggested *inter alia* that:

- (a) Central clonal seedling nurseries should be maintained by the Rubber Board for distribution of approved planting material to the planters;
- (b) Training course in suitable places should be arranged for the benefit of rubber growers and the supervisory staff of the estates, and
- (c) Services of mobile pest fighting units should be made available to the planters.

Supply of clonal seeds at subsidised rates to the small growers has all along been an important item of the Board's development work. Clonal seedling nurseries and budwood multiplication nurseries have been established at the experiment station of the Rubber Research Institute. The Board proposes to establish nurseries in places where there is a large concentration of small holdings.

Short refresher courses for the benefit of rubber growers and supervisory staff employed on the estates will be arranged by the Research Department of the Rubber Board.

As an experimental measure, the extension service of the Rubber Board has been supplied with hand operated dusters and sprayers to be lent to small holders for spraying and dusting immature trees. If the experiment is successful, more machines will be supplied by the Rubber Board.

5. The Commission has recommended that a co-operative supply organisation for distributing chemical fertilisers and mixture to the planters—particularly the small growers—should be set up under the aegis of the Rubber Board. This organisation should have the sole right of sale.

In regard to this, it is felt that co-operative organisations which are being set up by State Governments, under the community development and national extension programmes, can be expected to take care of the needs of the rubber growers also. It is therefore proposed to bring this recommendation to the notice of the State Governments concerned with the request that in setting up co-operative organisations for agriculturists, the needs of the rubber growers for this purpose should also be borne in mind. There would however be no particular advantage in giving a monopoly right of sale to the co-operative organisation, as the object is to increase existing facilities for the supply of manures.

6. As regards extension of rubber cultivation, the Commission has recommended that small growers, (holding 50 acres and below) should be permitted to extend cultivation by 25,000 acres and the estate group by another 25,000 acres.

During the last 3 years, there has been a considerable number of applications for new planting from small holders. Licences issued by the Rubber Board for new planting cover over 46,000 acres. Practically there has been little extension of rubber cultivation by the estate group, i.e. big growers. It does not seem necessary, therefore, to lay down any fixed proportion in which rubber extension is to be carried out by the small growers and by the estate group.

7. The Rubber Board is at present implementing a scheme for replanting 70,000 acres of old rubber areas with high yielding materials at the rate of 7,000 acres a year. This scheme provides for grant of subsidy to small and big growers. In the grant of subsidy weightage is provided for small growers. The Commission has proposed that the sanctioned area of 70,000 acres for replanting should be allocated equally between the small growers and the big growers. The Rubber Board should draw up a phased programme of replanting for each estate and see that it is implemented. To implement the phased replanting programme, the Rubber Board should have adequate development staff.

The small holders are taking advantage of the scheme in an adequate measure. Approximately 50 per cent of the area so far subsidised for replanting has been allocated to small holders. It is not feasible to allocate rigidly the proportion of the area to be replanted by the small growers and large growers. The Rubber Board is endeavouring to carry out the replanting programme in a phased way. There is no need at present to introduce an element of compulsion in the scheme.

The Rubber Board is already having a field service organisation to implement the replanting scheme. This organisation will be strengthened to the extent necessary.

8. The Commission has observed that scheme for the production of synthetic rubber should be co-ordinated with that for natural rubber so that rubber growers may have no cause for alarm and that Government should accordingly make a clear statement of policy for rubber development to remove the apprehension of growers.

It may be stated that, while developing the production of synthetic rubber, adequate care will be taken to ensure that the legitimate interests of the plantation industry are not adversely affected.

Marketing

9. To obviate any likely hardship to the producers arising from an accumulation of stocks—particularly during months of peak production—the Commission has proposed that the rubber manufacturers should come to an agreement to purchase raw rubber as and when produced.

During recent years, consumption has exceeded indigenous production. The gap between production and consumption is becoming wider and every year sizeable quantities of raw rubber are being imported to meet the increasing needs of the manufacturing industry. This situation is expected to continue for some years to come. Close scrutiny is exercised while licensing imports. At present there is little prospect of stocks accumulating with producers at any time of the year and hence there appears hardly any need for the manufacturers to come to an agreement to purchase indigenous rubber.

10. Since 1942 the price of indigenous rubber has been controlled. Prices for various grades of rubber have been fixed for sales F.O.B. Cochin basis. Few sales take place generally on this basis. Transactions are effected in the interior, in or near plantations and at important trade centres. It is alleged that the small holders particularly do not get the full benefit of the controlled price. To remedy this the Commission has recommended that prices should be fixed for other important rubber trading centres where large transactions in rubber take place and that purchases and sales in lots must be prevented.

After ascertaining the current trends in regard to this matter and the views of the Rubber Board Government feel that there is hardly any necessity for the fixation of prices for other interior centres. In regard to sales in lots the relevant rules have been amended to meet the recommendation of the Commission.

Assistance to Small Growers

11. Towards strengthening the economic position of the small holdings, the Commission has recommended that:

- (a) Multipurpose Co Operative Societies should be formed for making finance available, supplying estate requisites, and helping in processing and marketing rubber;
- (b) These Societies should be partnered by the Rubber Board;
- (c) Central marketing societies should be organised for marketing rubber;
- (d) There should be a Development Officer in charge of development, the subsidy and co operative schemes, and
- (e) A rubber Co operative Central Bank for the rubber growing areas should be formed. Government have come to the following conclusions—
 - (a) At the primary level credit and marketing activities should be combined in the same Society.
 - (b) A start should be made in areas where the small growers are found closely clustered.

- (c) As the small growers by themselves may not be able to build up a sizeable share capital, the Rubber Board should contribute towards the share capital for the Society by taking a substantial number of shares
- (d) The Rubber Board should appoint an officer with adequate experience in Co-operative organisation for undertaking investigation and promoting the growth of co-operatives. He will work in close liaison with the Co-operative Department of the States
- (e) A separate Co-operative Rubber Bank is not desirable. Credit should continue to be routed through the normal co-operative credit structure

12 The Commission have observed that the Central Government has taken under its control the tea, coffee and rubber industries, control brings with it formulation of policies from time to time, affecting production, consumption, prices, export etc and issue of rules to carry out the policies. They feel that there is need for an organisation of sufficient status to advise the Government on matters concerning these industries and has accordingly recommended that a permanent Commission consisting of 3 members including the Chairman should be set up

The Control over the plantation industries referred to by the Commission is at present exercised by the Ministry of Commerce and Industry, mainly with a view to develop the industry on the one hand, and safeguard the interests of the workers growers and consumers on the other, which ensures co-ordination in the working of the three statutory Boards, viz Tea, Coffee and Rubber Boards. In exercising such control, Government have the benefit of advice of the statutory Boards representing the several interests. In the circumstances, Government do not consider that there is any necessity for setting up yet another body as recommended

13 The undermentioned recommendations of the Commission are under examination —

- (a) Each rubber estate should be required to lay aside every year a certain sum of money for the specific purpose of financing programme of replanting. The amount paid by each estate should be held to the credit of the estate in a separate fund called Rubber Replanting Fund with the Rubber Board and the estates may be allowed to withdraw from this fund such amounts as may be necessary for the purpose of replanting according to a programme of replanting approved by the Board.
- (b) Government should assume legal powers to make investigations and issue such directions as may be found necessary for the proper maintenance of fixed assets including replanting in any estate
- (c) The State Bank should supply full crop finance for short term needs of the industry. The Industrial Finance Corporations and the Co-operative Land Mortgage Banks of the States in which rubber estates are situated should provide long term loans. The State Finance Corporations and the State Co-operative Land Mortgage Banks should provide long term finance in the case of estates which would work successfully with a redemption of their debts

14 In conclusion Government wish to record their high appreciation of the thoroughness with which the Commission has applied itself to a study of the problems and difficulties facing the rubber industry

ORDER

That a copy of the Resolution be communicated to the State Governments and other interests for information and necessary action and that it be published in the *Gazette of India* for general information

S RANGANATHAN, Secy